

## CITY COUNCIL FINANCE COMMITTEE MINUTES

May 5, 2010

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a Finance Committee meeting at 5:30 p.m. in the Municipal Building Conference Room on the 5th day of May, 2010, and notice and agenda of the meeting were posted at the Municipal Building at 201 West Gray, and the Norman Public Library at 225 North Webster 48 hours prior to the beginning of the meeting.

PRESENT: Councilmembers Atkins, Butler, Cubberley, Dillingham, Ezzell, Griffith, Kovach, Quinn, Mayor Rosenthal

ABSENT: None

### DISCUSSION REGARDING THE FYE 2011 BUDGET.

Chairman Doug Cubberley said many Councilmembers have expressed interest in finding other methods of funding rather than layoffs so he has asked the City Manager to provide Council alternatives including budget implications for those alternatives. He said there are revenues and expenses that are recurrent and non-recurrent and if non-recurrent revenues are shifted, the budget picture for this year is better, but next year's budget is worsened. He said total revenues for FYE 2011 is \$63.4 million and net expenditures are \$67 million. He said the City is spending more than it is taking in and has been doing so for several years, which is alright when you have a decent fund balance. He FYE 12 revenue is \$62 million and net expenditures are \$67 million so the deficit is increasing each year and the City cannot have a negative fund balance. He said whatever decisions Council make, must be done with consideration to future budgets.

Mr. Steve Lewis, City Manager, said the City must have a balanced budget by June 30, 2010, while being cognizant of future declines in sales tax. He said many people believe sales tax revenues have bottomed out while others expect continued declines; however, the budget he presented assumes a no growth scenario in sales tax. He said other matters considered when preparing the budget include state cuts on the local economy, maintaining critical services and facilities, minimizing impact on services to the public, and maintaining long term fiscal integrity. He said the City must continue to manage investments and capital infrastructure as well. He said tonight's discussion includes revenue projections based on raising various fees through out the City, even though Staff did not want to look at these fees as the panacea for solving the budget problems, but to focus on what fees are inappropriately low and have not been changed for a number of years and fees that do allow the City to recover its costs. He said as to the Municipal Court fines, they could also be seen as a deterrent in the law enforcement community.

Mr. Anthony Francisco, Finance Director, provided an overview of the FYE 11 Budget items based on Council's direction from the April 28, 2010, Study Session. Councilmember Kovach asked what amount would be saved from the current 12 vacant positions that are proposed to be eliminated. Mr. Francisco replied \$739,136 and seven of those 12 positions are not in the General Fund (GF). Total savings to the GF would be \$327,245. Councilmember Ezzell asked what impact reducing the budget assumption growths from 2% to 0% would have on the projected shortfall for the next fiscal year and Mr. Francisco replied \$600,000 in the General Fund.

Mr. Francisco highlighted various alternatives to the proposed FYE 2011 Budget followed by Council discussion on each alternative.

1. Increase the number of furlough days from one day per month to two days per month per employee citywide. One day per month would save approximately \$1.16 million with the assumption this would be a one time event. He said this equals about 7 1/2 % reduction in pay for every employee. He said any furlough has to be agreed upon by the unions who are currently in negotiations. Two days would be equivalent to a 10% wage cut across the board saving an additional \$2.33 million. He said the additional furlough day savings would offset the cost for FYE 11 layoffs as proposed layoffs would save an estimated \$1.89 million.

Councilmember Cubberley said furloughs are non-recurrent whereas layoffs are recurrent so it will save money this year, but asked if it would have a negative impact next year and Mr. Francisco said yes. Councilmember Dillingham asked about the policy regarding employees accruing vacation and benefits based on salaries and asked if they would keep those accruals and Mr. Francisco said there would not be any impact to vacation or sick leave.

Mayor Rosenthal said if the City does not come to an agreement with the Unions, what would Staff recommend on the furlough program and Mr. Lewis said he felt strongly that if the City pursues a furlough program, it should apply to every employee within the organization so it needs to be uniform and across the board. He said, if that is not the case, then it would probably not be implemented and other options would have to be considered such as further reductions in force.

Councilmember Ezzell asked about the mechanics and logistics of furloughs versus layoffs and asked why the City proceeded to the point of notifying employees, in writing, that their jobs would be eliminated, effective June 3rd, which seems like an invasion of Council's prerogative. Mr. Lewis said approximately 80% of the workforce is unionized and each of the contracts have bumping procedures outlined and it can take two to two and a half months to fully complete the process. He said if the process has not begun, it could easily spill over into FYE 11 so that is the practical, mechanical side of that process; however, Council, at its own prerogative, can make a contrary direction, so is still an option for Council. Councilmember Ezzell asked if three Councilmembers needed to request something be put on the Council agenda or what and Mr. Lewis said yes, if that is Council's direction. Mayor Rosenthal asked what the legal requirement was to notify employees of layoffs under their contract. Mr. Lewis said the minimum requirement is 14 days. Councilmembers asked for clarification on whether Staff is talking about position eliminations or layoffs and Mr. Lewis said layoffs, but the contract calls them reductions in force. Mr. Jeff Bryant, City Attorney, said the two are synonymous. Councilmember Cubberley said, in terms of timing, the Finance Committee wanted employees to receive notice prior to printing the budget.

2. Subsidize outside agency funding sources from the Room Tax Fund instead of the GF, particularly the 89'er Day Parade and Norman Day festivities that can be considered tourism items. He said this would save \$29,460 within the General Fund. He said the City could also reduce social service funding by additional 40% opposed to 10% for a savings of \$154,510.

3. Subsidize GF positions from the Public Safety Sales Tax (PSST). \$1,508,525 could be substituted from the GF to the PSST for the Emergency Communications Fund for Emergency Dispatch Services. Mr. Francisco said Staff has always cautioned Council about the nature of funding permanent positions or ongoing costs with a temporary source of revenue. The PSST from its outset, envisioned some fund balance left over at the end of the seven year temporary period for a "wind down" period if the PSST were not reauthorized. He said there are many legal and policy questions related to this proposal, i.e., whether or not it meets the definition of an authorized expenditure of the PSST. He expressed concern whether there would be enough money for this proposal beyond the first year.

Mayor Rosenthal felt taking funding from the PSST to fund positions would not be meeting the intent of the ordinance and Councilmember Dillingham said Council did not want to create disparity in union salaries by using PSST funds. Mayor Rosenthal said the Emergency Communication Fund is authorized by state statute and has other money in it and Mr. Francisco said there is a 911 Tariff on everyone's cell and landline phone bill that partially pays those costs and there is also revenue from charges to the Sheriff's Office and Norman Regional Hospital for dispatch services.

Councilmember Butler advised Council the equipment for the 911 system is no longer being maintained by the manufacturer so the Association of Central Oklahoma Governments (ACOG) is buying a new system and counties will have to hold an election to increase fees. Councilmember Cubberley asked if the City would have to update their equipment and Councilmember Butler said yes. Councilmember Cubberley asked if that would impact the Capital Fund instead of the GF and Mr. Francisco said no, the City pays ACOG a fee for that service from the GF and they would probably increase the fee the City is paying. Mayor Rosenthal said there are a couple of bills in the Legislature that would try to collect fees from disposable phones and pay cards that are currently not contributing to the system.

4. Subsidize GF positions that are related to capital projects such as Park Development Funds and Capital Funds for a savings of \$415,175.

Councilmember Kovach asked Mr. Francisco to elaborate on park development funded from the Room Tax and Mr. Francisco said 25% of Room Tax Fund revenues are dedicated to capital expenditures for park development. Councilmember Kovach asked how the City of Norman compared to other cities in regard to Room Tax and Mr. Francisco said Norman is lower than most cities. Mayor Rosenthal reminded Council that raising Room Tax Funds would require a vote of the people.

5. Increase traffic violation fines resulting in estimated revenues of \$443,175 which would be a recurring revenue source. He reminded everyone traffic fines are not set to raise revenue, but to deter speeding or bad behavior from drivers or the public. He said raising the fines could have the desired effect of reducing the bad behavior, but then the revenue goes down. Councilmember Cubberley said the fines proposed to be raised consist of speeding in school zones; violations involving accidents; careless driving; disregarding stop signs; disregarding railroad signals; racing and other violations. He asked when the last time these fines had been raised and Ms. Ronda Guerrero, Municipal Court Clerk, said November of 1999. Councilmember Cubberley asked if proposed fines were in line with other cities and Ms. Guerrero said Norman is fairly low and raising the fines would make Norman comparable to other cities. Councilmember Cubberley asked if fines could be higher for speeding on residential streets and Mr. Jeff Bryant, City Attorney, said Staff would research.

6. Implementation of a convenience fee for online credit card payments and telephone interactive voice response payments, which would increase revenue approximately \$85,000. He said, currently, this cost is paid to the credit card company out of the GF so a convenience fee would offset those costs.
7. Reduce the City's costs for electricity related to street lights by turning off the street lights in certain areas for specific amounts of time for a savings of around \$300,000 based on total costs of \$800,000 per year. Mr. Lewis said turning off street lights would save energy fees in the amount of approximately \$6.00 per light, but would not be a one for one recovery savings on each light turned off.

Councilmember Kovach said it would be helpful to ask citizens and Staff to report lights that are on in day time hours. Mayor Rosenthal said the City of Tulsa has turned off their street lights in certain places and the City of Norman could get guidance on the level of reduction if Norman were to try this proposal.

8. Elimination of the Proactive Code Enforcement Program could save \$51,802, which is equivalent of one Code Inspector position. Councilmember Dillingham was concerned this proposal would eliminate a position and Councilmember Kovach asked if proactive meant actively patrolling and looking for violations then reactive enforcement would save fuel and maintenance without eliminating the position. Mr. Francisco said it was possible.
9. Increase the Geographical Information Systems (GIS) Development Data Fee from \$75.00 to \$100.00 per lot with estimated revenue of \$11,300. Mr. Lewis said that fee is used to update the citywide GIS database. Councilmember Kovach asked if that was in line with other cities and Ms. Susan Connors, Director of Planning and Community Development, said it was.
10. Increase licensing fees for Food Service establishments from \$40 to \$50 would increase revenues approximately \$4,500.
11. Increase the annual Industrial Discharge Fee from \$500 to \$1,000, results in estimated revenue of \$4,500. Mr. Ken Komiske, Director of Utilities, said this fee is charged to the heaviest users, every three years, which requires annual inspections by the Environmental Services Division. He said Norman's fee changed from \$100 to \$500 in 2006. Mr. Lewis said the permit process is customized to the user and involves extensive inspections and publication expenses.
12. Increase the permit fees for the Fats, Oils, and Grease (FOG) Program from \$100 to \$125 for estimated revenue of \$7,500.
13. Increase other utility related fees with savings as follows:

• Increase bulk water meter fee from \$50 to \$100	\$ 9,000
• Increase bulk water meter late reading fee from \$5 to \$100	
• Increase bulk water rate fee from \$2.50 to \$3 per 1000 gallons	\$ 15,000
• Increase water discontinuance fee from \$15 to \$50	\$ 15,000
• Increase temporary water service fee from \$10 to \$25	\$ 9,000
• Increase utility service initiation fee from \$10 to \$25	\$ 25,000
• Increase insufficient check fees from \$15 to \$25	\$ 5,000
• Increase extra polycart monthly fee from \$5 to \$7.50	\$ 7,500
• Increase payment in lieu of franchise fees from water/sewer utilities from 2 to 5%	\$649,096
• Increase golf course green fees an additional \$.50	\$ 27,850

Councilmember Kovach said water is a basic need and expressed concern that increasing the discontinuance fee from \$15 of \$50 would place an extra burden on those struggling in this economy. Mr. Francisco said someone would have to really be in arrears before water is turned off and explained that it is usually approximately 70 days in arrears before it is turned off. Councilmember Cubberley said since crews make two trips to the residence, \$50 does not cover costs for one visit and Mr. Francisco agreed.

14. Offsetting the reduction in litter crews taken out of the proposed budget with community service workers assigned by the Legal Department or Municipal Court. Councilmember Dillingham asked who provides the supervision for the workers and Mr. Francisco said that is an issue that has not been worked out. Chairman Cubberley said there are liability issues if someone gets injured while doing their community service. Mr. Lewis said Staff has been working with a couple of communities in the Tulsa area that have implemented similar programs, but feels this is a way to address appearance and beautification issues within the community. Mayor Rosenthal said the City currently has community service programs for juveniles and asked who supervised them and Mr. Bryant said that is funded with juvenile grant money and the Juvenile Program court fees that allow funding for a part-time person to coordinate and provide supervision. Mr. Lewis said the Tulsa program restricts community service to Saturdays. Councilmember Butler said she is glad the City is looking at community service options.

Chairman Cubberley asked if there were any options Council would like to address that have not been discussed. Councilmember Kovach said Council could consider eliminating membership to the Oklahoma Municipal League (OML) and National League of Cities (NLC) rather than reducing funding to social service agencies. He asked if the City puts funds aside for employee benefits that can be used if the employee is not fully vested and Mr. Francisco said no as that would be contemplating a defined benefit retirement system, which the City does not have.

Mr. Lewis updated Council on the Oklahoma Department of Transportation's (ODOT) plan to transfer responsibility of mowing the rights-of-way (ROW) on state highways in the City. He said there is no money in the proposed budget to address that issue and the transfer is proposed to be effective January 2011. He said he and Staff had several meetings with leaders in other communities regarding ODOT's request, but have not learned anything concrete yet.

Councilmember Kovach asked how many employees terminate each year that may relieve the GF and Mr. Francisco said there has been a significant decline in turnover and over the last year, the City has had a turnover rate of less than 1% with the normal being around 3% and that reduced the FYE 2011 Budget by \$200,000.

Mr. Lewis said he had been asked about the City looking into cost effectiveness of refunding existing bonds and Mr. Rick Smith, the City's Financial Advisor, said it would not be cost effective at this time due to the low interest rate of the bonds.

Councilmember Kovach said the City employs a lot of outside legal counsel and asked if those costs could be shifted to save jobs and Mr. Bryant said Legal Staff had reviewed that option and there has been significant reduction in those costs in recent years. He said many of the matters using outside legal counsel were labor matters such as arbitration and costs have declined from \$400,000 to \$140,000.

Councilmember Kovach said if 75% of the GF goes to salary and benefits that would leave \$14 million for other services. He said several years ago the City had a similar tightening of the belt and all departments cut their budget by 10%, which came out of non-salary and benefit items. He said a lot of ingenuity was used to save fuel and expenses to save jobs. He said he did not see reductions in the GF to non-salary and benefits costs in order to avoid position cuts and he would like that to be reviewed. Mr. Francisco said that FYE 11 assumed a 2 1/2% reduction in all maintenance and operations accounts on top of reduction in FYE 10 totaling \$1.5 million. Chairman Cubberley reminded Council not all expenditures levels have been restored from the belt tightening of FYE 05 and FYE 06.

Councilmember Ezzell felt Staff provided notice of eliminated jobs too soon as Council is still working on the budget; however, employees have been told their jobs have been eliminated effective June 3rd. He said it is the Council's prerogative to deviate from that decision and would like an item placed on Council's agenda to stop elimination of those positions prior to the end of the fiscal year. Mr. Jeff Bryant, City Attorney, said the way the Charter is set up, the City Manager is charged with managing the City and the Council adopts the budget, which gives them an amount of money for a particular fiscal year. He said Council does set priorities, but under the framework of the Council/Manager government, specific direction regarding City positions is not the concept and doing so can be a direct Charter violation. He said Council can address those priorities to the Manager and if the Manager does not address those and a majority of Council feels they are not being addressed, then that is a different issue. Chairman Cubberley asked if Council could direct the City Manager to not layoff employee's before the start of the new fiscal year and Mr. Bryant said Council can express that as their desire from policy perspective, and in addressing budget shortfalls the Council can state their preference for no layoffs. Councilmember Ezzell said he thought the City had fulfilled the anticipated shortfalls of FYE 10 with adjustments already made to each department's budget so he did not understand why the City had employees out the door before the budget was adopted. He said Council is still scrambling, theoretically, to save positions. He said the budget is based on assumptions and projections so there is still opportunity to reduce workforce, if necessary, and if that causes the bumping and grieving process to run 60 days into FYE 11, it will not be a calamitous event for the City. Councilmember Dillingham asked if the City could begin the bumping and grieving procedure without the predetermination hearing and Mr. Bryant said the City needs to notify employees before starting the bumping process. Councilmember Dillingham asked if there are adequate finances in the budget right now to satisfy all the salary and benefit obligations to each employee through June 30, 2010, and Mr. Francisco said yes. She then asked if the City were to satisfy the salary and benefit requirement through June 30, 2010, without notifying anyone of layoffs, on July 1st would there be adequate funds available through the City's typical adjustment procedures to pay those employees and Mr. Francisco said probably.

Councilmember Kovach said there is value to employees that are trained and when you tell someone their job is eliminated, they are not going to wait until they are out the door before they start looking for another job. He said if Council does not make it clear to the City Manager tonight that they, as a policy body, would not be in favor of eliminating those positions before the end of the fiscal year then some of those valuable employees may be out the door before Council adopts the budget. Mayor Rosenthal said no one on Council discounts the value of employees or the value of their training, but it is important to think about the budgetary impact that needs to be calculated if the bumping process extends into FYE 11. She said Council needs to look at both sides and consider those employees who have the opportunity to take on another job and pass that up because they were not informed their jobs could be eliminated. She said it is a mischaracterization to say that Council does not value employees and their training. Councilmember Dillingham said Council needs to quantify the cost of the bumping and grieving process into FYE 11.

Councilmember Ezzell asked the City Manager if he intended to go forward with eliminating positions even knowing the policy body's desire to the contrary. Mr. Lewis said he did not feel there was a general consensus from Council tonight to not go forward. Chairman Cubberley asked if there was a legal reason the final termination date could not be delayed to June 30th and still preserve the notices in the event Council were to adopt the budget as is and Mr. Bryant said there is no legal reason not to set the termination date further back. He suggested employees go through the bumping process to get an idea of where employees were going to be as that process can be very complex. Chairman Cubberley said he would prefer the termination date be July 1st as he feels it is the intent of Council to identify revenues to attempt to save jobs. He said when Council adopts the budget, there will be amendments to the budget so that will give Council sufficient time to allow Council to find those revenues. He said his only caution would be to keep an eye on the FYE 12 budget deficit of \$4 million.

Mayor Rosenthal said the Manager's budget consisting of layoffs, furloughs, no merit increases, etc., equated a \$5.6 million savings and while Council wants to save as many jobs as possible, it cannot be done focused on the short term. Chairman Cubberley asked if there was a consensus for the termination date to the last day of the fiscal year. Mayor Rosenthal said yes, but felt the bumping and grieving process should begin with adoption of the budget. Chairman Cubberley proposed the process continue but delay the final implementation until July 1st and Councilmembers said they could support that proposal. Mayor Rosenthal said she could support increases in fees and fines that encourage or increase compliance or for another public good in terms of good behavior such as speeding. She urged Council to be cautious about fees and fines that penalize people who are already doing the right thing such as the FOG Program.

Mayor Rosenthal said there had been comments made about the use of the PSST and felt Council needs input from the Citizens Oversight Committee. She said citizens expect Council to be good stewards of the tax; promises were made and all of those promises have not been fulfilled. She said she would support the Emergency Communication Center being funded through the PSST, which would be a legitimate use of the tax, but she would argue strongly that that money should go to Fund Balance. She said another proposal she would support is spending the PSST money on the Smalley Center and free up \$900,000 into the Capital Fund (CF) to make it easier to reimburse GF employees out of the CF. Councilmember Kovach wanted the public to understand that when Council discusses using the PSST funds they would not deviate from requirements of the ordinance. He said he would like to impact the PSST funds as little as possible and the Mayor's suggestions would be in line with what was promised to the public. Councilmember Butler asked what the PSST revenue projections were based on and Mr. Francisco said the original projection was a 4% increase in revenues, but in FYE 11 that has been decreased to 0% growth.

Councilmember Ezzell said approximately \$1.8 million is projected to be saved by eliminating positions with an estimate of around \$170,000 for benefit costs associated with reduction in force so if the City used the utility right-of-way fee projection (\$649,096), increase in fines projection (\$443,175), and Smalley Center (\$900,000) that equates to \$1.5 million without anything related to \$1.5 million PSST for emergency operations. He said if the City also eliminated the E911 subsidies for emergency communications staff that would help close the funding gap on positions.

Chairman Cubberley felt the lobbyist and NLC could be eliminated and Mayor Rosenthal agreed about NLC, but felt it would be a mistake to cut OML or the lobbyist. She said OML is studying revenue issues that would be important to the community. Councilmember Butler said every City needs help with the legislative system and although the legislature in Washington are supposed to take care of their states and cities, it is clearly not happening and that is why Norman needs a lobbyist to talk to the right people.

Councilmembers discussed fees and fines and Chairman Cubberley said the issue should be whether or not the City is recovering costs and the City is clearly not recovering costs on many of the current fees and fines. Councilmember Dillingham agreed and said none of the proposed increases appeared to be so onerous that it would result in massive non-compliance or put the City above any comparable city in the area. She said the City should be recovering costs on credit cards fees at the very least. Mayor Rosenthal said she is opposed to eliminating proactive code enforcement because it improves the appearance of the community. Councilmember Kovach suggested that when a neighborhood wants traffic calming, funds be recovered through a recoupment district. Councilmember Atkins said if fines for speeding in neighborhoods are increased, there may be not need for traffic calming.

Mayor Rosenthal said the budget is based on assumptions and projections and the assumption is there will be across the board furloughs from all three unions, but if the negotiations are not successful, Council will be back at the drawing table. Councilmember Kovach said he spoke to his appointee to the PSST Oversight Committee and the appointee was in favor of using PSST funds to save jobs.

Councilmember Quinn said the City Manager and Staff developed a budget based on Council directive and the City Manager has taken a lot of heat for Council's direction. He said, tonight, Council has changed directions and he applauds the Manager and Staff for making the tough decisions based upon the information and direction Council had given them.

Items submitted for the record

1. FYE 2011 Budget Discussion Items, City Council Finance Committee, May 5, 2010, with Attachment A, Positions currently funded from the General Fund that could possibly be funded from Capital Funds and Attachment B, Administrative Fines and Fine Comparisons
2. Newspaper articles regarding Oklahoma City Budget Options

The meeting adjourned at 8:30 p.m.

ATTEST:

---

City Clerk

---

Mayor